



**MCI Telecommunications
Corporation**

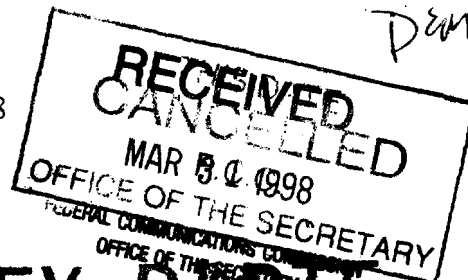
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April 23, 1998



The Honorable William E. Kennard
Chairman
Federal Communications Commission
1919 M Street, N.W.
Room 814
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Implementation of the Subscriber Carrier Selection Provisions of the
Telecommunications Act of 1996
Docket No. 94-129

Dear Chairman Kennard:

MCI fully supports the FCC's effort to crack down on slamming. We support national regulations aimed at slamming prevention, and continue to believe that the single most effective method to attack the problem would be mandatory independent third party verification for all carrier switches. MCI also supports your call for increased FCC enforcement activity, and tougher penalties against companies that engage in intentional slamming.

MCI is very concerned, however, about your recent comments in support of remedial proposals that would require alleged "slamming carriers" to refund all charges billed to customers who claim they are slamming victims. These proposals, aimed at bad actors, will have costly consequences for the entire industry. Their ultimate impact will be to encourage consumer fraud, increase costs for the industry that will inevitably be borne by consumers, and inject a substantial element of unproductive conflict into consumer-carrier relationships.

A remedial scheme that requires alleged "slamming carriers" to refund all charges billed to customers who claim they have been slammed will result in massive increases in subscription fraud and other consumer fraud. Unscrupulous individuals will be able to enroll in services, enjoy a month or two of free calling, and then claim they were switched without authorization. This will result in alarming increases in subscription fraud, and will raise costs that carriers will inevitably flow back to all customers in the form of higher rates.

This proposal will also force fundamental, detrimental changes in carrier customer relationships. Today, most major carriers—including MCI—participate in so-called LEC no-fault PIC dispute processes. These programs encourage efficiency and

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dispute avoidance by providing that a customer who claims he or she has been slammed can get switched back to his or her original carrier without cost, effort or delay. No fault PIC dispute programs provide for IXC's to pay a single fee (typically \$5-\$10) to the LEC to cover the cost of switching customers who claim they have been slammed back to their original carrier.

Under these programs both the LEC and the IXC agree not to challenge the customer's assertions, and agree that no investigation or dispute process will be conducted. Instead, the customer is switched back at no cost without delay, and with no questions asked. The result is an environment that benefits consumers by avoiding delays and the costly need to investigate and dispute a claim of unauthorized conversion or other customer dissatisfaction.

If the proposal to require full refunds of all charges is adopted, carriers will have significant economic incentives to discontinue this "no questions asked" approach. Instead, carriers will devote substantial resources to investigating and disputing customer complaints. They will build costly and otherwise unnecessary defense bureaucracies to avoid getting bilked by consumers attempting to take advantage of the huge fraud opportunity created by this remedial scheme. The result will be that carriers will not willingly offer to pay the costs of switching customers back, and will have substantial economic incentives to engage in disputes with customers to avoid paying refunds for services delivered. Inevitably, the costs associated with maintaining these defense processes will flow back to consumers in the form of higher rates.

MCI strongly believes that the better remedial course would be to require slamming carriers to reimburse customers for the difference between what they were charged by the alleged slamming carrier and what they would have been charged by their original carrier. Customers should be made whole by getting credits for higher rates and lost promotional benefits, but should not get the windfall of full refunds. Slamming carriers should be held responsible for all costs of switching the customer back to his or her preferred carrier. And, to supplement this remedial approach, slamming carriers should be required to provide compensation back to the original carrier to further eliminate any incentive to engage in slamming.

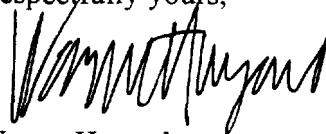
The new regulations should also clarify that no refunds should be due if a carrier can reasonably demonstrate that the customer switch was verified using one of the FCC authorized verification methods. And, importantly, the FCC should recognize, in this rulemaking, the inherent problems caused by permitting the LECs to maintain primary PIC administration control. This new rule could empower and incent LECs to fully credit LEC billed customer invoices--at IXC expense--where there is a claim of unauthorized switching. Unless the new regulations prohibit LECs from unilaterally deciding these matters by issuing credits at their discretion, the regulations will compound the fundamental abuses that we are already experiencing in the PIC administration process.

Too often, we see inaccurate or overstated PIC dispute reporting from the LECs, and evidence that the LECs have turned customer questions into unfounded complaints.

These disinformation efforts have occurred as part of the LEC's increasing competitive interest in retaining intralata customers and maximizing positioning for LEC long distance entry. MCI continues to believe that third party PIC administration is necessary to ensure competitive neutrality and maximize free and flexible consumer choice.

The FCC's goal of removing incentives that encourage slamming can best be accomplished by strong verification rules, rigorous enforcement activity, and tougher penalties against companies engaged in intentional slamming. MCI strongly believes, however, that the proposals for full refunds back to customers will result in damaging consequences that would overwhelm the good intentions of these programs.

Respectfully yours,



Wayne Huyard
President
MCI Mass Markets

cc: Commissioner Susan Ness
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Commissioner Michael Powell
Commissioner Gloria Tristani
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